

**CHOICE FOUNDATION,
A NON-PROFIT ORGANIZATION
NEW ORLEANS, LOUISIANA**

Audit of Financial Statements

June 30, 2013

Under provisions of state law, this report is a public document. A copy of the report has been submitted to the entity and other appropriate public officials. The report is available for public inspection at the Baton Rouge office of the Legislative Auditor and, where appropriate, at the office of the parish clerk of court.

Release Date JAN 15 2014

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Independent Auditor's Report

To the Board of Directors
Choice Foundation, a Non-Profit Organization
New Orleans, Louisiana

Report on the Financial Statements

We have audited the accompanying financial statements of Choice Foundation, a Non-Profit Organization (the Foundation), which comprise the statement of financial position as of June 30, 2013, and the related statements of activities and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient to provide a basis for our audit opinion.

NEW ORLEANS HOUSTON BATON ROUGE COVINGTON

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Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Choice Foundation, a Non-Profit Organization as of June 30, 2013, and the results of its operations and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

Other Matters***Other Information***

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of board of directors, combining statement of financial position, and combining statement of activities are presented for the purposes of additional analysis and are not a required part of the financial statements. The accompanying schedule of expenditures of federal awards, as required by Office of Management and Budget (OMB) Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the financial statements as a whole.

The Performance and Statistical Data included as Schedules 1 through 9, are not a required part of the basic financial statements, but are supplementary information required by Louisiana State law. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. We have applied certain limited procedures, which are described in the Independent Accountant's Report on Applying Agreed-Upon Procedures. However, we did not audit this information and, accordingly, express no opinion on it.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued a report dated December 18, 2013, on our consideration of the Foundation's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Foundation's internal control over financial reporting and compliance.



A Professional Accounting Corporation

Covington, LA
December 18, 2013

CHOICE FOUNDATION, A NON-PROFIT ORGANIZATION
NEW ORLEANS, LOUISIANA
Statement of Financial Position
June 30, 2013

Assets	
Current Assets	
Cash and Cash Equivalents	\$ 1,625,101
Grants Receivable	980,749
Prepaid Expenses	<u>39,067</u>
Total Current Assets	<u>2,644,917</u>
Property and Equipment	
Furniture, Fixtures, and Equipment	1,735,256
Leasehold Improvements	1,632,032
Less: Accumulated Depreciation	<u>(2,391,244)</u>
Net Property and Equipment	<u>976,044</u>
Total Assets	<u><u>\$ 3,620,961</u></u>
Liabilities and Net Assets	
Current Liabilities	
Accounts Payable	\$ 309,846
Accrued Expenses	1,266,264
Lines of Credit	450,000
Current Portion of Long-Term Debt	<u>95,066</u>
Total Current Liabilities	<u>2,121,176</u>
Long-Term Liabilities	
Long-Term Debt, Net of Current Portion	<u>314,217</u>
Total Liabilities	<u>2,435,393</u>
Net Assets	
Unrestricted	<u>1,185,568</u>
Total Net Assets	<u>1,185,568</u>
Total Liabilities and Net Assets	<u><u>\$ 3,620,961</u></u>

The accompanying notes are an integral part of these financial statements.

CHOICE FOUNDATION, A NON-PROFIT ORGANIZATION
NEW ORLEANS, LOUISIANA
Statement of Activities
For the Year Ended June 30, 2013

	Unrestricted	Temporarily Restricted	Total
Support and Revenue			
State Public School Funding	\$ 14,303,845	\$ -	\$ 14,303,845
Federal Grants	3,586,373	-	3,586,373
Federal School Lunch Program	906,926	-	906,926
Private Grants and Donations	90,004	632,050	722,054
Other Income	174,726	-	174,726
Other State Funding	91,222	-	91,222
Interest Income	956	-	956
Net Assets Released From Restrictions	645,050	(645,050)	-
Total Support and Revenue	19,799,102	(13,000)	19,786,102
Expenses			
Program Services			
Regular Education Programs	9,233,780	-	9,233,780
Special Education Programs	2,008,793	-	2,008,793
Operation and Maintenance of Plant	2,124,428	-	2,124,428
School Administration	1,494,361	-	1,494,361
Special Programs	1,328,437	-	1,328,437
Food Service Operations	947,536	-	947,536
Pupil Support Services	464,061	-	464,061
Instructional Staff Services	266,446	-	266,446
Other Instructional Programs	115,005	-	115,005
Student Activities	25,273	-	25,273
Management and General			
Business Services	1,185,110	-	1,185,110
General Administration	333,309	-	333,309
Central Services	85,279	-	85,279
Other Expenses			
Loss on Abandonment of Construction	209,089	-	209,089
Depreciation - Machinery and Equipment	159,527	-	159,527
Depreciation - Leasehold Improvements	132,150	-	132,150
Total Expenses	20,112,584	-	20,112,584
Change in Net Assets	(313,482)	(13,000)	(326,482)
Net Assets, Beginning of Year	1,499,050	13,000	1,512,050
Net Assets, End of Year	\$ 1,185,568	\$ -	\$ 1,185,568

The accompanying notes are an integral part of these financial statements.

CHOICE FOUNDATION, A NON-PROFIT ORGANIZATION
NEW ORLEANS, LOUISIANA
Statement of Cash Flows
For the Year Ended June 30, 2013

Cash Flows from Operating Activities	
Change in Net Assets	\$ (326,482)
Adjustments to Reconcile Change in Net Assets to	
Net Cash Provided by Operating Activities	
Depreciation	291,677
(Increase) Decrease in:	
Grants Receivable	(221,837)
Other Receivables	25,839
Prepaid Expenses	2,583
Increase (Decrease) in:	
Accounts Payable	96,277
Accrued Expenses	566,675
Net Cash Provided by Operating Activities	434,732
Cash Flows from Investing Activities	
Loss on Abandonment of Construction	209,089
Purchase of Property and Equipment	(804,427)
Net Cash Used in Investing Activities	(595,338)
Cash Flows from Financing Activities	
Payments on Lines of Credit	(502,795)
Proceeds from Lines of Credit	952,795
Payments on Note Payable	(90,717)
Net Cash Provided by Financing Activities	359,283
Net Increase in Cash and Cash Equivalents	198,677
Cash and Cash Equivalents, Beginning of Year	1,426,424
Cash and Cash Equivalents, End of Year	\$ 1,625,101

The accompanying notes are an integral part of these financial statements.

**CHOICE FOUNDATION, A NON-PROFIT ORGANIZATION
NEW ORLEANS, LOUISIANA**

Notes to Financial Statements

Note 1. Summary of Significant Accounting Policies

Choice Foundation, a Non-Profit Organization (the Foundation), d/b/a Lafayette Academy Charter School, Esperanza Charter School and McDonogh 42 Elementary Charter School, incorporated on November 29, 2004, is an educational institution organized to inform and educate citizens of Louisiana on how school choice initiatives can improve primary education in Louisiana.

The Louisiana Board of Elementary and Secondary Education (BESE) approved the granting of a charter to the Foundation to operate Lafayette Academy Charter School effective September 26, 2006, for an initial term of three years which terminated on June 30, 2009. BESE granted the Foundation a two-year extension of Lafayette Academy Charter School's charter contract which terminated on June 30, 2011. BESE granted the Foundation a three-year extension of Lafayette Academy Charter School's charter contract which terminates on June 30, 2014. In December 2013, BESE granted the Foundation a five-year renewal of Lafayette Academy Charter School's contract to operate a Type 5 Charter School in the Louisiana Recovery School District, as defined in Louisiana Revised Statutes (LRS) 17:3992 and 3998. This extension was pursuant to the Evaluation Framework and applicable provision of Title 17, Chapter 42, of the Louisiana Revised Statutes and is currently scheduled to expire June 30, 2019.

The Louisiana Board of Elementary and Secondary Education (BESE) approved the granting of a charter to the Foundation to operate Esperanza Charter School effective July 1, 2010, for an initial term of four years, which terminates on June 30, 2014. In December 2013, BESE granted a one-year extension of Esperanza Charter School's charter contract to operate a Type 5 Charter School in the Louisiana Recovery School District, as defined in the L.R.S. 17:3992 and 3998, which terminates June 30, 2015. Upon completion of the School's fifth year of operation, the charter contract may be renewed at the discretion of BESE pursuant to the Evaluation Framework and applicable provision of Title 17, Chapter 42, of the Louisiana Revised Statutes.

The Louisiana Board of Elementary and Secondary Education (BESE) approved the granting of a charter to the Foundation to operate McDonogh 42 Elementary Charter School effective July 1, 2012, for an initial term of four years, which terminates on June 30, 2016. BESE shall conduct a fourth-year evaluation of McDonogh 42 Elementary Charter School and may grant a one-year extension of the charter school contract to operate a Type 5 Charter School in the Louisiana Recovery School District, as defined in LRS 17:3992 and 3998. Upon completion of the School's fifth year of operation, the charter contract may be renewed at the discretion of BESE pursuant to the Evaluation Framework and applicable provision of Title 17, Chapter 42, of the Louisiana Revised Statutes.

A summary of the Foundation's significant accounting policies consistently applied in the preparation of the accompanying financial statements follows.

**CHOICE FOUNDATION, A NON-PROFIT ORGANIZATION
NEW ORLEANS, LOUISIANA**

Notes to Financial Statements

Note 1. Summary of Significant Accounting Policies (Continued)

Financial Statement Presentation

The Foundation follows the guidance of the *Not-for-Profit Entities* Topic of the Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC). The Foundation is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted, temporarily restricted and permanently restricted. In addition, the Foundation is required to present a statement of cash flows.

The Foundation also follows the guidance of the *Not-for-Profit Entities* Topic of the FASB ASC, whereby contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted, depending on the existence and/or nature of any donor restrictions. Restricted net assets are reclassified to unrestricted net assets upon satisfaction of the donor-imposed time or purpose restrictions. Restricted contributions are classified as unrestricted if the restriction was met in the same year the contribution was made.

Basis of Accounting

Basis of accounting refers to when revenues and expenses are recognized in the accounts and reported on the financial statements. The financial statements of the Foundation are prepared on the accrual basis of accounting, whereby revenues are recognized when earned and expenses are recognized when incurred.

Cash and Cash Equivalents

Cash, which is held in interest bearing accounts, consists of both unrestricted and restricted balances. Unrestricted cash balances represent cash available for general operating purposes.

The Foundation classifies all highly liquid debt instruments with an initial maturity of three months or less as cash equivalents.

Grants Receivable

The Foundation received various state and federal grants to fund programs and operations. The grants are on a reimbursement basis and grants receivable at year end are stated at unpaid balances for expenditures incurred during the year. As of June 30, 2013, based on management's experience with the collection of grants from the State of Louisiana, the receivable is considered to be fully collectible.

**CHOICE FOUNDATION, A NON-PROFIT ORGANIZATION
NEW ORLEANS, LOUISIANA**

Notes to Financial Statements

Note 1. Summary of Significant Accounting Policies (Continued)

Contributions and Revenue Recognition

Contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted, depending on the existence and/or nature of any donor restrictions.

All donor-restricted support is reported as an increase in temporarily or permanently restricted net assets, depending on the nature of the restriction. When a restriction expires (that is, when a stipulated time restriction ends or a purpose restriction is accomplished), temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions.

Revenues from federal and state grants are recorded when the Foundation has a right to reimbursement under the related grant, generally corresponding to the incurring of grant-related costs by the Foundation, or when earned under the terms of the grants. An accrual is made when eligible expenses are incurred.

The Foundation's primary source of funding is through the State Public School Fund. The Foundation received \$14,303,845 from the State based on eligible students in attendance on a monthly basis. State and federal grants are on a cost reimbursement basis. An accrual is made when eligible expenses are incurred.

In-Kind Donations

The Foundation records in-kind value of goods and services contributed to support various activities as support and related expenses. In-kind support was estimated at \$9,637 for the year ended June 30, 2013, which included donations for professional services.

Property and Equipment

All acquisitions of property and equipment in excess of \$1,000 and betterments that naturally add to the value of related assets or materially extend the useful lives of assets are capitalized. Normal building maintenance and minor equipment purchases are included as expenses of the Foundation. Depreciation is calculated using the straight-line method over the remaining term of the charter school contract not to exceed the estimated useful lives of the assets. Assets purchased with public funds will revert to the Louisiana Department of Education at the time this agreement is terminated. See Notes 6 and 7.

Income Taxes

The Foundation is recognized by the Internal Revenue Service as a Section 501(c)(3) tax-exempt organization. However, income from certain activities not directly related to the Foundation's tax-exempt purpose is subject to taxation as unrelated business income.

**CHOICE FOUNDATION, A NON-PROFIT ORGANIZATION
NEW ORLEANS, LOUISIANA**

Notes to Financial Statements

Note 1. Summary of Significant Accounting Policies (Continued)

Advertising Costs

Advertising costs are charged to expense when the advertising first takes place. Advertising expense totaled \$40,292 for the year ended June 30, 2013.

Compensated Absences

All teachers and staff are provided 10 days of paid annual sick leave. If the employee terminates at June 30th, the remaining days are forfeited. Accordingly, the Foundation does not recognize a liability for accumulated compensated absences.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Note 2. Concentrations

The Foundation received 72% of its revenues for the year ended June 30, 2013, from the State of Louisiana, subject to its charter agreement with the State.

The Foundation periodically maintains cash in bank accounts in excess of insured limits. The Foundation has not experienced any losses and does not believe that significant credit risk exists as a result of this practice.

Note 3. Restrictions on Assets

Temporarily restricted net assets are restricted by donors for specific programs, purposes, or to assist specific departments of the Foundation. These restrictions are considered to expire when payments for restricted purposes are made. None of the temporarily restricted net assets are time-restricted by donors.

Temporarily restricted net assets at June 30, 2013, available for instructional and other purposes, totaled \$-0-.

Note 4. Grants Receivable

As of June 30, 2013, grants receivable totaled \$980,749 which was receivables for federal and state grants passed through the Louisiana Department of Education and New Schools for New Orleans. The stated balance is considered to be fully collectible.

**CHOICE FOUNDATION, A NON-PROFIT ORGANIZATION
NEW ORLEANS, LOUISIANA**

Notes to Financial Statements

Note 5. Retirement Plan

Effective July 1, 2011, the Foundation began offering a 401(k) plan to employees age 21 or older who are immediately vested upon entering the plan. Eligible employees may contribute up to the maximum allowed by the IRS. The Foundation matches a percentage of elective contributions determined from year to year. Matching contributions are based on a discretionary percent of compensation or a discretionary dollar amount. The Foundation match for the year ended June 30, 2013 was 5% and amounted to \$485,612.

Note 6. Property and Equipment

All assets acquired with Louisiana Department of Education funds are owned by the Foundation while used in the purpose for which they were purchased. The Louisiana Department of Education, however, has a reversionary interest in these assets. Should the charter not be renewed, title in any assets purchased with those funds will transfer to the appropriate agency. Depreciation expense totaled \$291,677 for the year ended June 30, 2013.

Note 7. Leases

Effective September 26, 2006, the Foundation entered into an agreement with the State of Louisiana, Department of Education, Recovery School District, which allows the Foundation to use the facilities and its contents located at 2727 South Carrollton Avenue, New Orleans, Louisiana 70118. The lease agreement is a component of Lafayette Academy Charter School's charter agreement and is currently scheduled to expire on June 30, 2019.

Effective July 1, 2010, the Foundation entered into an agreement with the State of Louisiana, Department of Education, Recovery School District, which allows the Foundation to use the facilities and its contents located at 4407 South Carrollton Avenue, New Orleans, Louisiana 70119. The lease agreement is a component of Esperanza Charter School's charter agreement and is currently scheduled to expire on June 30, 2015.

Effective July 1, 2012, the Foundation entered into an agreement with the State of Louisiana, Department of Education, Recovery School District, which allows the Foundation to use the facilities and its contents located at 3019 Higgins Boulevard, New Orleans, Louisiana 70126. The lease agreement is a component of McDonogh 42 Elementary Charter School's charter agreement and is currently scheduled to expire on June 30, 2016.

**CHOICE FOUNDATION, A NON-PROFIT ORGANIZATION
NEW ORLEANS, LOUISIANA**

Notes to Financial Statements

Note 7. Leases (Continued)

Alterations made by the Foundation shall not diminish the value of the property at the time the alterations are approved, unless agreed upon by the State of Louisiana, Department of Education, Recovery School District, and the Foundation. Any physical additions or improvements to the property will become property of the State of Louisiana, Department of Education, or Recovery School District. The State of Louisiana, Department of Education or Recovery School District may require, at the expense of the Foundation, to remove these physical additions or improvements.

Non-capital assets acquired by the Foundation with non-public funds will remain the property of the Foundation. Assets purchased with public funds obtained from public sources will automatically revert to the Board of Elementary and Secondary Education at the time this agreement is terminated.

The Foundation must maintain records of any assets acquired with private funds that will remain the property of the Foundation.

The Foundation is responsible for all necessary maintenance to ensure that the facilities comply with all state and local health and safety standards and other applicable laws, regulations and rules.

Use of the property is not recorded as an in-kind contribution from, or related rent expense to, the State of Louisiana, Department of Education, Recovery School District. The value of the use of the land and building is not readily determinable. The agreement is classified as an exchange transaction because both parties receive significant value from this arrangement. Accordingly, the present value of the benefit to be received in future years has not been recorded.

The Foundation entered into an agreement for an operating lease for pre-k, kindergarten, and headquarters facilities at 3700 and 3720 Canal Street, New Orleans, Louisiana 70119. Lease payments have stopped due to construction delays. As mentioned in Note 14, a settlement was reached with the lessor for unpaid lease payments. As of June 30, 2013, accrued unpaid lease payments totaled \$150,000, which are included in accounts payable. Settlement balance is due in full by March 1, 2014.

Note 8. Lines of Credit

Lafayette Academy Charter School has a \$200,000 line of credit with Capital One Bank. The line carries a variable rate of interest payable monthly at the Wall Street Journal prime rate (3.25% at June 30, 2013), plus 1%, adjusted daily. The line is unsecured. The balance on the line of credit was \$200,000 at June 30, 2013.

**CHOICE FOUNDATION, A NON-PROFIT ORGANIZATION
NEW ORLEANS, LOUISIANA**

Notes to Financial Statements

Note 8. Lines of Credit (Continued)

Esperanza Charter School has a \$125,000 line of credit with Capital One Bank. The line carries a variable rate of interest payable monthly at the Wall Street Journal prime rate (3.25% at June 30, 2013). The line is unsecured. The balance on the line of credit was \$125,000 at June 30, 2013.

McDonogh 42 Elementary Charter School has a \$125,000 line of credit with Capital One Bank. The line carries a variable rate of interest payable monthly at the Wall Street Journal prime rate (3.25% at June 30, 2013), plus 1.75%, adjusted daily. The line is unsecured. The balance on the line of credit was \$125,000 at June 30, 2013.

Note 9. Notes Payable

Notes payable consisted of the following for the year ended June 30, 2013:

Note payable to a bank. Secured by deposit accounts owned by the Foundation. Promissory note with an interest rate of 5.0%, due in monthly installments of \$9,452. Final payment due June 2017.	\$ 409,283
Less: Current Portion	<u>95,066</u>
Long-Term Portion	<u><u>\$ 314,217</u></u>

Maturities of notes payable are as follows:

2014	\$ 95,066
2015	99,939
2016	105,043
2017	<u>109,235</u>
Total	<u><u>\$ 409,283</u></u>

Note 10. Minimum Foundation Program (MFP)

The State of Louisiana provides funding which is determined on an annual basis based on the number of pupils enrolled in the Foundation as of October 1st. This state-funded per pupil allocation is based on the most recently approved Minimum Foundation Program formula resolution. For the year ended June 30, 2013, the Foundation recognized revenue of \$6,948,251.

**CHOICE FOUNDATION, A NON-PROFIT ORGANIZATION
NEW ORLEANS, LOUISIANA**

Notes to Financial Statements

Note 10. Minimum Foundation Program (MFP) (Continued)

The Orleans Parish School Board (OPSB) provides funding to the State of Louisiana, collected from local agencies, which passes through to the Foundation as local MFP, which is determined on an annual basis based on the number of pupils enrolled as of October 1st. Revenues received by OPSB from sales tax revenues, ad valorem taxes, and other sources are allocated to each school based on its enrollment. For the year ended June 30, 2013, the Foundation recognized revenue of \$7,355,594.

Note 11. Commitments

The Foundation has employment contracts, as are standard in the field of education, with most of its employees. The contracts for the current year expired June 30, 2013. All contracts provide for a minimum annual salary and benefits.

The Foundation has entered into an agreement for construction of leasehold improvements. Construction has been stopped due to litigation between the Foundation and the architectural service provider. As mentioned in Note 14, all construction in progress for leasehold improvements has been abandoned due to a lease settlement mentioned in Note 7. Future expense under this agreement is currently unknown.

Note 12. Risk Management

The Foundation is exposed to various risks of loss from torts; thefts of, damage to, and destruction of assets; business interruption; errors and omissions; employee injuries and illnesses; natural disasters; and employee health and accident benefits. Commercial insurance coverage is purchased for claims arising from such matters. There were no settled claims that exceeded this commercial coverage during the year ended June 30, 2013.

Note 13. Uncertain Income Taxes

The Foundation's 2009, 2010, and 2011 tax returns were filed appropriately. As of December 18 2013, the Foundation had not filed its 2012 tax return. The Foundation recognizes interest and penalties, if any, related to unrecognized tax benefits in income tax expense. The Foundation's tax filings are subject to audit by various taxing authorities. The Foundation's open audit periods are 2009 through 2011. Management has evaluated the Foundation's tax position and concluded that the Foundation has taken no uncertain tax positions that require adjustment to the financial statements.

**CHOICE FOUNDATION, A NON-PROFIT ORGANIZATION
NEW ORLEANS, LOUISIANA**

Notes to Financial Statements

Note 14. Subsequent Events

Management has evaluated subsequent events through the date that the financial statements were available to be issued, December 18, 2013, and determined that the following events occurred that require disclosure.

During December 2013, a settlement was reached with the lessor for property located at 3700 and 3720 Canal Street, New Orleans, Louisiana 70119. This settlement includes amounts for unpaid rental payments, which have been recorded in accounts payable as of June 30, 2013. See Note 7 and Note 11. Obligations under this settlement total \$150,000 if paid in full by March 1, 2014 and have been recorded in the June 30, 2013 financial statements. This settlement resulted in the abandonment of construction in progress on the property. Construction in progress abandoned totaled \$209,089, which has been recorded in the June 30, 2013 financial statements.

During December 2013, a renewal of Lafayette Academy Charter School's charter contract and an extension of Esperanza Charter School's contract were awarded. See Note 1.

No other subsequent events occurring after this date have been evaluated for inclusion in these financial statements.



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INDEPENDENT ACCOUNTANT'S REPORT ON APPLYING AGREED-UPON PROCEDURES

To the Board of Directors
Choice Foundation, a Non-Profit Organization
New Orleans, Louisiana

We have performed the procedures included in the *Louisiana Governmental Audit Guide* and enumerated below, which were agreed to by the management of Choice Foundation, a Non-Profit Organization (the Foundation), and the Legislative Auditor, State of Louisiana, solely to assist users in evaluating management's assertions about the performance and statistical data accompanying the annual financial statements of the Foundation, and to determine whether the specified schedules are free of obvious errors and omissions as provided by the Board of Elementary and Secondary Education (BESE) Bulletin. This agreed-upon procedures engagement was performed in accordance with standards established by the American Institute of Certified Public Accountants and *Government Auditing Standards*. The sufficiency of these procedures is solely the responsibility of the specified users of the report. Consequently, we make no representation regarding the sufficiency of the procedures described below either for the purpose for which this report has been requested or for any other purpose.

Our procedures and findings that relate to the accompanying schedules of supplementary information are as follows:

General Fund Instructional and Support Expenditures and Certain Local Revenue Sources (Schedule 1)

1. We selected a random sample of 25 transactions and reviewed supporting documentation to determine if the sampled expenditures/revenues are classified correctly and are reported in the proper amounts for each of the following accounts reported on the schedule:

- Total General Fund Instructional Expenditures
- Total General Fund Equipment Expenditures
- Total Local Taxation Revenue
- Total Local Earnings on Investment in Real Property
- Total State Revenue in Lieu of Taxes
- Nonpublic Textbook Revenue
- Nonpublic Transportation Revenue

Findings:

None

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The McGladrey Alliance is a premier affiliation of independent accounting and consulting firms. The McGladrey Alliance member firms maintain their name, autonomy and independence and are responsible for their own client file arrangements, delivery of services and maintenance of client relationships.

Education Levels of Public School Staff (Schedule 2)

2. We reconciled the total number of full time classroom teachers per the schedule "Experience of Public Principals, Assistant Principals and Full Time Classroom Teachers" (Schedule 4) to the combined total number of full time classroom teachers per this schedule, and to the Foundation's supporting payroll records, as of October 1st.
3. We reconciled the combined total of principals and assistant principals per the schedule "Experience of Public Principals, Assistant Principals and Full Time Classroom Teachers" (Schedule 4) to the combined total of principals and assistant principals per this schedule.
4. We obtained a list of principals, assistant principals and full time teachers by classification as of October 1st, and as reported on the schedule. We traced each of the teachers to the individual's personnel file to determine if the individual's education level was properly classified on the schedule.

Findings:

None

Number and Type of Public Schools (Schedule 3)

5. We obtained a list of schools by type as reported on the schedule. We compared the list to the schools and grade levels as reported on the Title I Grants to Local Educational Agencies (CFDA 84.010) application and/or the National School Lunch Program (CFDA 10.555) application.

Findings:

None

Experience of Public Principals, Assistant Principals and Full Time Classroom Teachers (Schedule 4)

6. We obtained a list of principals, assistant principals and full time teachers by classification as of October 1st, and as reported on the schedule and traced the same sample used in procedure 4 to the individual's personnel file and determined if the individual's experience was properly classified on the schedule.

Findings:

None

Public School Staff Data (Schedule 5)

7. We obtained a list of all classroom teachers including their base salary, extra compensation and ROTC or rehired retiree status, as well as full time equivalents as reported on the schedule, and traced each to the individual's personnel file and determined if the individual's salary, extra compensation and full time equivalents were properly included on the schedule.

Findings:

None

8. We recalculated the average salaries and full time equivalents reported on the schedule.

Findings:

None

Class Size Characteristics (Schedule 6)

9. We obtained a list of classes by school, school type and class size as reported on the schedule and reconciled school type classifications to Schedule 3 data, as obtained in procedure 5. We then traced a random sample of 10 classes to the October 1st roll books for those classes and determined if the class was properly classified on the schedule.

Findings:

None

Louisiana Educational Assessment Program (LEAP) (Schedule 7)

10. We obtained test scores as provided by the testing authority and reconciled scores as reported by the testing authority to scores reported on the schedule by the Foundation.

Findings:

None

Graduation Exit Exam (Schedule 8)

11. Not applicable.

iLEAP Test Results (Schedule 9)

12. We obtained test scores as provided by the testing authority and reconciled scores as reported by the testing authority to scores reported on the schedule by the Foundation.

Findings:

None

We were not engaged to, and did not perform an examination, the objective of which would be the expression of an opinion on management's assertions. Accordingly, we do not express such an opinion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

This report is intended solely for the use of management of the Foundation, the Louisiana Department of Education, the Louisiana Legislature, and the Legislative Auditor, State of Louisiana, and should not be used by those who have not agreed to the procedures and taken responsibility for the sufficiency of the procedures for their purposes. Under Louisiana Revised Statute 24:513, this report is distributed by the Louisiana Legislative Auditor as a public document.



A Professional Accounting Corporation

Covington, LA
December 18, 2013

CHOICE FOUNDATION, A NON-PROFIT ORGANIZATION
Schedules Required by Louisiana State Law
(R.S. 24:514 - Performance and Statistical Data)
As of and For the Year Ended June 30, 2013

Schedule 1 - General Fund Instructional and Support Expenditures and Certain Local Revenue Sources

This schedule includes general fund instructional and equipment expenditures. It also contains local taxation revenue, earnings on investments, revenue in lieu of taxes and nonpublic textbook and transportation revenue. This data is used either in the Minimum Foundation Program (MFP) formula or is presented annually in the MFP 70% Expenditure Requirement Report.

Schedule 2 - Education Levels of Public School Staff

This schedule includes the certificated and uncertificated number and percentage of full time classroom teachers and the number and percentage of principals and assistant principals with less than a Bachelor's; Bachelor's; Master's; Master's +30; Specialist in Education; and Ph. D. or Ed. D. degrees. This data is currently reported to the Legislature in the Annual Financial and Statistical Report (AFSR).

Schedule 3 - Number and Type of Public Schools

This schedule includes the number of elementary, middle/junior high, secondary and combination schools in operation during the fiscal year. This data is currently reported to the Legislature in the Annual Financial and Statistical Report (AFSR).

Schedule 4 - Experience of Public Principals, Assistant Principals and Full Time Classroom Teachers

This schedule includes the number of years of experience in teaching for principals, assistant principals and full time teachers. This data is currently reported to the Legislature in the Annual Financial and Statistical Report (AFSR).

Schedule 5 - Public School Staff Data

This schedule includes average classroom teachers' salary using full time equivalents, including and excluding ROTC and rehired retiree teachers. This data is currently reported to the Legislature in the Annual Financial and Statistical Report (AFSR).

Schedule 6 - Class Size Characteristics

This schedule includes the percent and number of classes with student enrollment in the following ranges: 1-20, 21-26, 27-33, and 34+ students. This data is currently reported to the Legislature in the Annual School Report (ASR).

Schedule 7 - Louisiana Educational Assessment Program (LEAP)

This schedule represents student performance testing data and includes summary scores by district for grades 4 and 8 in each category tested. Scores are reported as Advanced, Mastery, Basic, Approaching Basic, and Unsatisfactory. This schedule includes three years of data.

Schedule 8 - Graduation Exit Exam

Not Applicable.

CHOICE FOUNDATION, A NON-PROFIT ORGANIZATION
Schedules Required by Louisiana State Law
(R.S. 24:514 - Performance and Statistical Data)
As of and For the Year Ended June 30, 2013

Schedule 9 - iLEAP Test Results

This schedule represents student performance testing data and includes a summary score for grades 3, 5, 6, and 7 for each district. The summary score reported is the Percentile Rank showing relative position or rank as compared to a large, representative sample of students in the same grade from the state. This schedule includes three years of data.

CHOICE FOUNDATION, A NON-PROFIT ORGANIZATION
NEW ORLEANS, LOUISIANA
General Fund Instructional and Support Expenditures
and Certain Local Revenue Sources
For the Year Ended June 30, 2013

Schedule 1

General Fund Instructional and Equipment Expenditures

General Fund Instructional Expenditures:

Teacher and Student Interaction Activities		
Classroom Teacher Salaries	\$ 5,514,025	
Other Instructional Staff Activities	993,956	
Instructional Staff Employee Benefits	1,404,029	
Purchased Professional and Technical Services	1,305,416	
Instructional Materials and Supplies	204,218	
Instructional Equipment	<u>23,642</u>	
Total Teacher and Student Interaction Activities		\$ 9,445,286
Other Instructional Activities		10,287
Pupil Support Services	453,407	
Less: Equipment for Pupil Support Services	<u>-</u>	
Net Pupil Support Services		453,407
Instructional Staff Services	261,145	
Less: Equipment for Instructional Staff Services	<u>-</u>	
Net Instructional Staff Services		261,145
School Administration	1,300,241	
Less: Equipment for School Administration	<u>-</u>	
Net School Administration		<u>1,300,241</u>
Total General Fund Instructional Expenditures		\$ 11,470,366
Total General Fund Equipment Expenditures		\$ <u>23,642</u>

Certain Local Revenue Sources

Local Taxation Revenue

Constitutional Ad Valorem Taxes	\$ -
Renewable Ad Valorem Tax	-
Debt Service Ad Valorem Tax	-
Up to 1% of Collections by the Sheriff on Taxes Other than School Taxes	-
Sales and Use Taxes	<u>-</u>
Total Local Taxation Revenue	\$ -

Local Earnings on Investment in Real Property

Earnings from 16th Section Property	\$ -
Earnings from Other Real Property	<u>-</u>
Total Local Earnings on Investment in Real Property	\$ -

State Revenue in Lieu of Taxes

Revenue Sharing - Constitutional Tax	\$ -
Revenue Sharing - Other Taxes	-
Revenue Sharing - Excess Portion	-
Other Revenue in Lieu of Taxes	<u>-</u>
Total State Revenue in Lieu of Taxes	\$ -

Nonpublic Textbook Revenue

Nonpublic Textbook Revenue	\$ -
Nonpublic Transportation Revenue	<u>\$ -</u>

See independent accountant's report on applying agreed-upon procedures.

CHOICE FOUNDATION, A NON-PROFIT ORGANIZATION
NEW ORLEANS, LOUISIANA
Education Levels of Public School Staff
As of October 1, 2012

Schedule 2

Category	Full Time Classroom Teachers				Principals & Assistant Principals			
	Certificated		Uncertificated		Certificated		Uncertificated	
	Number	Percent	Number	Percent	Number	Percent	Number	Percent
Less than Bachelors Degree								
Bachelors Degree	41	54%	45	66%				
Masters Degree	32	43%	23	33%	4	100%	3	100%
Masters Degree +30	2	3%	1	1%				
Specialist in Education								
Ph. D. or Ed. D.								
Total	75	100%	69	100%	4	100%	3	100%

See independent accountant's report on applying agreed-upon procedures.

CHOICE FOUNDATION, A NON-PROFIT ORGANIZATION
NEW ORLEANS, LOUISIANA
Number and Type of Public Schools
For the Year Ended June 30, 2013

Schedule 3

Type	Number
Elementary	3
Middle/Jr. High	
Secondary	
Combination	
Total	3

See independent accountant's report on applying agreed-upon procedures.

CHOICE FOUNDATION, A NON-PROFIT ORGANIZATION
NEW ORLEANS, LOUISIANA
Experience of Public Principals, Assistant Principals
and Full Time Classroom Teachers
As of October 1, 2012

Schedule 4

	0 - 1 Yr.	2 - 3 Yrs.	4 - 10 Yrs.	11 - 14 Yrs.	15 - 19 Yrs.	20 - 24 Yrs.	25+ Yrs.	Total
Assistant Principals	1		1		2			4
Principals					1	1	1	3
Classroom Teachers	30	10	52	19	10	5	18	144
Total	31	10	53	19	13	6	19	151

See independent accountant's report on applying agreed-upon procedures.

CHOICE FOUNDATION, A NON-PROFIT ORGANIZATION
NEW ORLEANS, LOUISIANA
Public School Staff Data
For the Year Ended June 30, 2013

Schedule 5

	All Classroom Teachers	Classroom Teachers Excluding ROTC, Rehired Retirees, and Flagged Salary Reductions
Average Classroom Teachers' Salary Including Extra Compensation	\$50,959	\$50,959
Average Classroom Teachers' Salary Excluding Extra Compensation	\$48,095	\$48,095
Number of Teacher Full Time Equivalents (FTEs) Used in Computation of Average Salaries	143.3	143.3

See independent accountant's report on applying agreed-upon procedures.

CHOICE FOUNDATION, A NON-PROFIT ORGANIZATION
NEW ORLEANS, LOUISIANA
Class Size Characteristics
As of October 1, 2012

Schedule 6

School Type	Class Size Range							
	1 - 20		21 - 26		27 - 33		34+	
	Number	Percent	Number	Percent	Number	Percent	Number	Percent
Elementary	150	27%	375	67%	32	6%		
Elementary Activity Classes	14	21%	48	73%	4	6%		

See independent accountant's report on applying agreed-upon procedures.

CHOICE FOUNDATION, A NON-PROFIT ORGANIZATION
NEW ORLEANS, LOUISIANA
Louisiana Educational Assessment Program (LEAP)
For the Year Ended June 30, 2013

Schedule 7

District Achievement Level Results	English Language Arts						Mathematics						Science						Social Studies					
	2013		2012		2011		2013		2012		2011		2013		2012		2011		2013		2012		2011	
	Nbr.	%	Nbr.	%	Nbr.	%	Nbr.	%	Nbr.	%	Nbr.	%	Nbr.	%	Nbr.	%	Nbr.	%	Nbr.	%	Nbr.	%	Nbr.	%
Grade 4																								
Advanced	5	2%	3	2%	17	11%	14	7%	6	4%	18	12%	2	1%	0	0%	1	1%	0	0%	2	1%	1	1%
Mastery	45	22%	38	25%	39	25%	39	19%	46	31%	37	24%	15	7%	18	12%	7	4%	15	7%	19	13%	16	10%
Basic	105	51%	69	46%	51	32%	78	37%	56	37%	52	32%	80	40%	68	46%	58	37%	106	52%	78	53%	85	54%
Approaching Basic	31	15%	30	20%	29	19%	27	13%	25	17%	20	13%	64	31%	47	32%	69	45%	56	27%	27	18%	25	16%
Unsatisfactory	21	10%	10	7%	20	13%	49	24%	17	11%	29	19%	44	21%	16	10%	21	13%	28	14%	23	15%	29	19%
Total	207	100%	150	100%	156	100%	207	100%	150	100%	156	100%	205	100%	149	100%	156	100%	205	100%	149	100%	156	100%

District Achievement Level Results	English Language Arts						Mathematics						Science						Social Studies					
	2013		2012		2011		2013		2012		2011		2013		2012		2011		2013		2012		2011	
	Nbr.	%	Nbr.	%	Nbr.	%	Nbr.	%	Nbr.	%	Nbr.	%	Nbr.	%	Nbr.	%	Nbr.	%	Nbr.	%	Nbr.	%	Nbr.	%
Grade 8																								
Advanced	1	1%	0	0%	1	5%	2	1%	0	0%	1	5%	3	2%	0	0%	0	0%	1	1%	0	0%	0	0%
Mastery	12	7%	4	17%	2	10%	0	0%	0	0%	1	5%	8	5%	3	13%	1	5%	5	3%	1	4%	2	10%
Basic	62	36%	8	35%	10	50%	70	41%	13	57%	8	40%	62	36%	7	30%	4	20%	77	44%	8	35%	7	35%
Approaching Basic	76	43%	9	39%	3	15%	58	33%	7	30%	4	20%	64	37%	10	44%	8	40%	47	27%	9	39%	8	40%
Unsatisfactory	23	13%	2	9%	4	20%	44	25%	3	13%	6	30%	37	20%	3	13%	7	35%	44	25%	5	22%	3	15%
Total	174	100%	23	100%	20	100%	174	100%	23	100%	20	100%	174	100%	23	100%	20	100%	174	100%	23	100%	20	100%

See independent accountant's report on applying agreed-upon procedures.

**CHOICE FOUNDATION, A NON-PROFIT ORGANIZATION
NEW ORLEANS, LOUISIANA
Graduation Exit Exam
For the Year Ended June 30, 2013**

Schedule 8

The Foundation does not have grades 10 or 11; therefore, this schedule does not apply.

See independent accountant's report on applying agreed-upon procedures.

CHOICE FOUNDATION, A NON-PROFIT ORGANIZATION
NEW ORLEANS, LOUISIANA
iLEAP Test Results
For the Year Ended June 30, 2013

Schedule 9

District Achievement Level Results	English Language Arts		Mathematics		Science		Social Studies	
	2013		2013		2013		2013	
Students	Number	Percent	Number	Percent	Number	Percent	Number	Percent
Grade 3								
Advanced	10	5%	8	4%	2	1%	1	1%
Mastery	36	19%	33	17%	15	8%	24	13%
Basic	92	48%	85	45%	94	49%	82	42%
Approaching Basic	27	14%	31	16%	55	29%	54	28%
Unsatisfactory	27	14%	35	18%	25	13%	30	16%
Total	192	100%	192	100%	191	100%	191	100%

District Achievement Level Results	English Language Arts		Mathematics		Science		Social Studies	
	2013		2013		2013		2013	
Students	Number	Percent	Number	Percent	Number	Percent	Number	Percent
Grade 5								
Advanced	2	1%	2	1%	0	0%	0	0%
Mastery	24	13%	12	7%	7	4%	10	6%
Basic	71	40%	78	44%	58	32%	84	47%
Approaching Basic	41	24%	38	21%	70	40%	37	21%
Unsatisfactory	40	22%	48	27%	42	24%	46	26%
Total	178	100%	178	100%	177	100%	177	100%

District Achievement Level Results	English Language Arts		Mathematics		Science		Social Studies	
	2013		2013		2013		2013	
Students	Number	Percent	Number	Percent	Number	Percent	Number	Percent
Grade 6								
Advanced	1	1%	2	1%	0	0%	3	2%
Mastery	14	8%	15	9%	17	10%	10	6%
Basic	67	40%	88	52%	69	41%	80	47%
Approaching Basic	53	31%	35	21%	57	34%	52	31%
Unsatisfactory	34	20%	29	17%	26	15%	24	14%
Total	169	100%	169	100%	169	100%	169	100%

District Achievement Level Results	English Language Arts		Mathematics		Science		Social Studies	
	2013		2013		2013		2013	
Students	Number	Percent	Number	Percent	Number	Percent	Number	Percent
Grade 7								
Advanced	4	2%	3	2%	1	1%	0	0%
Mastery	11	6%	7	4%	15	8%	6	3%
Basic	98	54%	92	50%	82	46%	92	51%
Approaching Basic	47	26%	37	20%	58	32%	47	26%
Unsatisfactory	21	12%	43	24%	24	13%	36	20%
Total	181	100%	182	100%	180	100%	181	100%

See independent accountant's report on applying agreed-upon procedures.

CHOICE FOUNDATION, A NON-PROFIT ORGANIZATION
NEW ORLEANS, LOUISIANA
iLEAP Test Results
For the Year Ended June 30, 2013

Schedule 9 (Continued)

District Achievement Level Results	English Language Arts		Mathematics		Science		Social Studies	
	2012		2012		2012		2012	
Students	Number	Percent	Number	Percent	Number	Percent	Number	Percent
Grade 3								
Advanced	1	1%	9	6%	2	1%	0	0%
Mastery	39	26%	17	11%	22	15%	29	20%
Basic	79	53%	82	56%	74	51%	75	51%
Approaching Basic	23	16%	30	20%	40	27%	31	21%
Unsatisfactory	6	4%	10	7%	9	6%	12	8%
Total	148	100%	148	100%	147	100%	147	100%

District Achievement Level Results	English Language Arts		Mathematics		Science		Social Studies	
	2012		2012		2012		2012	
Students	Number	Percent	Number	Percent	Number	Percent	Number	Percent
Grade 5								
Advanced	0	0%	3	2%	0	0%	1	1%
Mastery	17	13%	10	8%	8	6%	7	5%
Basic	62	48%	66	52%	44	34%	56	44%
Approaching Basic	25	20%	26	20%	56	44%	36	28%
Unsatisfactory	24	19%	23	18%	20	16%	28	22%
Total	128	100%	128	100%	128	100%	128	100%

District Achievement Level Results	English Language Arts		Mathematics		Science		Social Studies	
	2012		2012		2012		2012	
Students	Number	Percent	Number	Percent	Number	Percent	Number	Percent
Grade 6								
Advanced	1	1%	6	5%	1	1%	5	4%
Mastery	27	23%	15	13%	16	14%	11	9%
Basic	54	46%	68	58%	61	52%	55	48%
Approaching Basic	29	25%	12	10%	32	27%	34	29%
Unsatisfactory	6	5%	16	14%	7	6%	12	10%
Total	117	100%	117	100%	117	100%	117	100%

District Achievement Level Results	English Language Arts		Mathematics		Science		Social Studies	
	2012		2012		2012		2012	
Students	Number	Percent	Number	Percent	Number	Percent	Number	Percent
Grade 7								
Advanced	1	1%	1	1%	2	2%	0	0%
Mastery	4	3%	2	2%	11	8%	5	4%
Basic	58	43%	53	40%	45	35%	44	33%
Approaching Basic	47	36%	43	33%	53	40%	55	42%
Unsatisfactory	22	17%	32	24%	20	15%	27	21%
Total	132	100%	131	100%	131	100%	131	100%

See independent accountant's report on applying agreed-upon procedures.

CHOICE FOUNDATION, A NON-PROFIT ORGANIZATION
NEW ORLEANS, LOUISIANA
iLEAP Test Results
For the Year Ended June 30, 2013

Schedule 9 (Continued)

District Achievement Level Results	English Language Arts		Mathematics		Science		Social Studies	
	2011		2011		2011		2011	
Students	Number	Percent	Number	Percent	Number	Percent	Number	Percent
Grade 3								
Advanced	2	1%	1	1%	0	0%	2	1%
Mastery	18	13%	21	16%	11	8%	15	11%
Basic	83	63%	78	58%	59	44%	77	58%
Approaching Basic	18	13%	23	17%	56	42%	27	20%
Unsatisfactory	13	10%	11	8%	8	6%	13	10%
Total	134	100%	134	100%	134	100%	134	100%

District Achievement Level Results	English Language Arts		Mathematics		Science		Social Studies	
	2011		2011		2011		2011	
Students	Number	Percent	Number	Percent	Number	Percent	Number	Percent
Grade 5								
Advanced	5	4%	6	5%	2	2%	0	0%
Mastery	20	16%	15	12%	8	6%	7	6%
Basic	66	52%	67	52%	56	44%	60	47%
Approaching Basic	22	17%	20	16%	43	34%	34	27%
Unsatisfactory	14	11%	19	15%	18	14%	26	20%
Total	127	100%	127	100%	127	100%	127	100%

District Achievement Level Results	English Language Arts		Mathematics		Science		Social Studies	
	2011		2011		2011		2011	
Students	Number	Percent	Number	Percent	Number	Percent	Number	Percent
Grade 6								
Advanced	0	0%	2	1%	0	0%	0	0%
Mastery	6	4%	5	4%	6	4%	4	3%
Basic	60	46%	69	51%	62	47%	55	41%
Approaching Basic	50	37%	29	22%	43	32%	48	36%
Unsatisfactory	18	13%	29	22%	23	17%	27	20%
Total	134	100%	134	100%	134	100%	134	100%

District Achievement Level Results	English Language Arts		Mathematics		Science		Social Studies	
	2011		2011		2011		2011	
Students	Number	Percent	Number	Percent	Number	Percent	Number	Percent
Grade 7								
Advanced	0	0%	0	0%	0	0%	0	0%
Mastery	2	2%	1	1%	2	2%	6	7%
Basic	42	48%	47	54%	46	52%	37	41%
Approaching Basic	36	40%	25	28%	30	34%	31	35%
Unsatisfactory	9	10%	15	17%	11	12%	15	17%
Total	89	100%	88	100%	89	100%	89	100%

See independent accountant's report on applying agreed-upon procedures.

SUPPLEMENTARY INFORMATION

See independent auditor's report.

CHOICE FOUNDATION, A NON-PROFIT ORGANIZATION
NEW ORLEANS, LOUISIANA
Schedule of Board of Directors (Continued)
For the Year Ended June 30, 2013

<u>Board Members</u>	<u>Compensation</u>
Janet Bean 6025 Garfield Street New Orleans, LA 70118 504-897-2710	\$ -0-
Don Beery 1340 Poydras Street, Suite 1900 New Orleans, LA 70112 504-586-3184	\$ -0-
Anthony Carter 201 St. Charles Avenue, Suite 3912 New Orleans, LA 70170 504-561-8927	\$ -0-
Robert Evans 1046 Annunciation Street New Orleans, LA 70130 504-523-4788	\$ -0-
Asher Friend 715 Short Street New Orleans, LA 70118 504-582-8362	\$ -0-
William Goliwas 5935 Magazine Street New Orleans, LA 70118 504-523-4521	\$ -0-
James Huger, President 1010 Common Street, Suite 2950 New Orleans, LA 70112 504-523-4521, ext. 1611	\$ -0-
Hans Jonassen 4400 N. Galvez Street New Orleans, LA 70117 504-944-3366	\$ -0-

See independent auditor's report.

CHOICE FOUNDATION, A NON-PROFIT ORGANIZATION
NEW ORLEANS, LOUISIANA
Schedule of Board of Directors (Continued)
For the Year Ended June 30, 2013

<u>Board Members</u>	<u>Compensation</u>
Kevin Kane 643 Magazine Street, Suite 301 New Orleans, LA 70130 504-899-1450	\$ -0-
Wendy Lodrig 6413 St. Roch Avenue New Orleans, LA 70122 504-565-5546	\$ -0-
Alysson Mills 1817 Coliseum Street New Orleans, LA 70130 504-586-5252	\$ -0-
Laura Sillars 5900 Prytania Street New Orleans, LA 70115 504-891-6221	\$ -0-
James Swanson, Vice President 201 St. Charles Avenue, Suite 4600 New Orleans, LA 70170-4600 504-586-5267	\$ -0-
Kate Werner 1137 Delachaise Street New Orleans, LA 70115 504-895-3024	\$ -0-
Dewanda Young-Hill 10350 I-10 Service Road New Orleans, LA 70128 504-894-8331	\$ -0-

See independent auditor's report.

CHOICE FOUNDATION, A NON-PROFIT ORGANIZATION
NEW ORLEANS, LOUISIANA
Combining Statement of Financial Position
June 30, 2013

	Lafayette Academy Charter School	Esperanza Charter School	McDonogh 42 Elementary Charter School
Assets			
Current Assets			
Cash and Cash Equivalents	\$ 1,036,977	\$ 377,462	\$ 210,662
Grants Receivable	621,808	211,041	147,900
Prepaid Expenses	39,067	-	-
Intercompany Receivables	-	121,413	-
Other Receivables	61,983	-	(61,983)
Total Current Assets	1,759,835	709,916	296,579
Property and Equipment			
Furniture, Fixtures, and Equipment	1,277,404	400,797	57,055
Leasehold Improvements	1,266,966	217,422	147,644
Less: Accumulated Depreciation	(2,082,458)	(293,242)	(15,544)
Net Property and Equipment	461,912	324,977	189,155
Total Assets	\$ 2,221,747	\$ 1,034,893	\$ 485,734
Liabilities and Net Assets			
Current Liabilities			
Accounts Payable	\$ 234,014	\$ 28,629	\$ 47,203
Accrued Expenses	641,601	366,866	257,797
Lines of Credit	200,000	125,000	125,000
Current Portion of Long-Term Debt	95,066	-	-
Intercompany Payables	121,413	-	-
Total Current Liabilities	1,292,094	520,495	430,000
Long-Term Liabilities			
Long-Term Debt, Net of Current Portion	314,217	-	-
Total Liabilities	1,606,311	520,495	430,000
Net Assets			
Unrestricted	615,436	514,398	55,734
Temporarily Restricted	-	-	-
Total Net Assets	615,436	514,398	55,734
Total Liabilities and Net Assets	\$ 2,221,747	\$ 1,034,893	\$ 485,734

See independent auditor's report.

CHOICE FOUNDATION, A NON-PROFIT ORGANIZATION
NEW ORLEANS, LOUISIANA
Combining Statement of Financial Position (Continued)
June 30, 2013

	Eliminations	Consolidated
Assets		
Current Assets		
Cash and Cash Equivalents	\$ -	\$ 1,625,101
Grants Receivable	-	980,749
Prepaid Expenses	-	39,067
Intercompany Receivables	(121,413)	-
Other Receivables	-	-
Total Current Assets	(121,413)	2,644,917
Property and Equipment		
Furniture, Fixtures, and Equipment	-	1,735,256
Leasehold Improvements	-	1,632,032
Less: Accumulated Depreciation	-	(2,391,244)
Net Property and Equipment	-	976,044
Total Assets	\$ (121,413)	\$ 3,620,961
Liabilities and Net Assets		
Current Liabilities		
Accounts Payable	\$ -	\$ 309,846
Accrued Expenses	-	1,266,264
Lines of Credit	-	450,000
Current Portion of Long-Term Debt	-	95,066
Intercompany Payables	(121,413)	-
Total Current Liabilities	(121,413)	2,121,176
Long-Term Liabilities		
Long-Term Debt, Net of Current Portion	-	314,217
Total Liabilities	(121,413)	2,435,393
Net Assets		
Unrestricted	-	1,185,568
Temporarily Restricted	-	-
Total Net Assets	-	1,185,568
Total Liabilities and Net Assets	\$ (121,413)	\$ 3,620,961

See independent auditor's report.

CHOICE FOUNDATION, A NON-PROFIT ORGANIZATION
NEW ORLEANS, LOUISIANA
Combining Statement of Activities
For the Year Ended June 30, 2013

	Lafayette Academy Charter School			Esperanza Charter School		
	Unrestricted	Temporarily Restricted	Total	Unrestricted	Temporarily Restricted	Total
Support and Revenue						
State Public School Funding	\$ 7,266,151	\$ -	\$ 7,266,151	\$ 3,771,516	\$ -	\$ 3,771,516
Federal Grants	1,896,038	-	1,896,038	945,304	-	945,304
Federal School Lunch Program	426,877	-	426,877	244,854	-	244,854
Private Grants and Donations	75,795	324,203	399,998	-	2,568	2,568
Other Income	81,587	-	81,587	61,199	-	61,199
Other State Funding	45,156	-	45,156	20,931	-	20,931
Interest Income	956	-	956	-	-	-
Net Assets Released from Restrictions	334,203	(334,203)	-	5,568	(5,568)	-
Total Support and Revenue	10,126,763	(10,000)	10,116,763	5,049,372	(3,000)	5,046,372
Expenses						
Program Services						
Regular Education Programs	4,638,583	-	4,638,583	2,498,346	-	2,498,346
Special Education Programs	847,713	-	847,713	691,851	-	691,851
Operation and Maintenance of Plant	1,062,245	-	1,062,245	504,598	-	504,598
School Administration	742,299	-	742,299	343,030	-	343,030
Special Programs	931,278	-	931,278	16,265	-	16,265
Food Service Operations	446,678	-	446,678	245,752	-	245,752
Pupil Support Services	219,416	-	219,416	121,267	-	121,267
Instructional Staff Services	97,040	-	97,040	154,118	-	154,118
Other Instructional Programs	72,304	-	72,304	16,627	-	16,627
Student Activities	18,302	-	18,302	6,971	-	6,971
Management and General						
Business Services	816,689	-	816,689	230,800	-	230,800
General Administration	192,633	-	192,633	70,839	-	70,839
Central Services	63,940	-	63,940	10,545	-	10,545
Other Expenses						
Loss on Abandonment of Construction	209,089	-	209,089	-	-	-
Depreciation - Machinery and Equipment	60,546	-	60,546	92,199	-	92,199
Depreciation - Leasehold Improvements	58,511	-	58,511	64,877	-	64,877
Total Expenses	10,477,266	-	10,477,266	5,068,085	-	5,068,085
Change in Net Assets	(350,503)	(10,000)	(360,503)	(18,713)	(3,000)	(21,713)
Net Assets, Beginning of Year	965,939	10,000	975,939	533,111	3,000	536,111
Net Assets, End of Year	\$ 615,436	\$ -	\$ 615,436	\$ 514,398	\$ -	\$ 514,398

See independent auditor's report.

CHOICE FOUNDATION, A NON-PROFIT ORGANIZATION
NEW ORLEANS, LOUISIANA
Combining Statement of Activities (Continued)
For the Year Ended June 30, 2013

	McDonogh 42 Elementary Charter School			Consolidated		
	Unrestricted	Temporarily Restricted	Total	Unrestricted	Temporarily Restricted	Total
Support and Revenue						
State Public School Funding	\$ 3,266,178	\$ -	\$ 3,266,178	\$ 14,303,845	\$ -	\$ 14,303,845
Federal Grants	745,031	-	745,031	3,586,373	-	3,586,373
Federal School Lunch Program	235,195	-	235,195	906,926	-	906,926
Private Grants and Donations	14,209	305,279	319,488	90,004	632,050	722,054
Other Income	31,940	-	31,940	174,726	-	174,726
Other State Funding	25,135	-	25,135	91,222	-	91,222
Interest Income	-	-	-	956	-	956
Net Assets Released from Restrictions	305,279	(305,279)	-	645,050	(645,050)	-
Total Support and Revenue	4,622,967	-	4,622,967	19,799,102	(13,000)	19,786,102
Expenses						
Program Services						
Regular Education Programs	2,096,851	-	2,096,851	9,233,780	-	9,233,780
Special Education Programs	469,229	-	469,229	2,008,793	-	2,008,793
Operation and Maintenance of Plant	557,585	-	557,585	2,124,428	-	2,124,428
School Administration	409,032	-	409,032	1,494,361	-	1,494,361
Special Programs	380,894	-	380,894	1,328,437	-	1,328,437
Food Service Operations	255,106	-	255,106	947,536	-	947,536
Pupil Support Services	123,378	-	123,378	464,061	-	464,061
Instructional Staff Services	15,288	-	15,288	266,446	-	266,446
Other Instructional Programs	26,074	-	26,074	115,005	-	115,005
Student Activities	-	-	-	25,273	-	25,273
Management and General						
Business Services	137,621	-	137,621	1,185,110	-	1,185,110
General Administration	69,837	-	69,837	333,309	-	333,309
Central Services	10,794	-	10,794	85,279	-	85,279
Other Expenses						
Loss on Abandonment of Construction	-	-	-	209,089	-	209,089
Depreciation - Machinery and Equipment	6,782	-	6,782	159,527	-	159,527
Depreciation - Leasehold Improvements	8,762	-	8,762	132,150	-	132,150
Total Expenses	4,567,233	-	4,567,233	20,112,584	-	20,112,584
Change in Net Assets	55,734	-	55,734	(313,482)	(13,000)	(326,482)
Net Assets, Beginning of Year	-	-	-	1,499,050	13,000	1,512,050
Net Assets, End of Year	\$ 55,734	\$ -	\$ 55,734	\$ 1,185,568	\$ -	\$ 1,185,568

See independent auditor's report.



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**INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER
FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS
BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED
IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

To the Board of Directors
Choice Foundation, a Non-Profit Organization
New Orleans, Louisiana

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of Choice Foundation, a Non-Profit Organization (the Foundation) which comprise the statement of financial position as of and for the year ended June 30, 2013, and the related statements of activities and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated December 18, 2013.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Foundation's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Foundation's internal control. Accordingly, we do not express an opinion on the effectiveness of the Foundation's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

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Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Foundation's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts.

However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

We noted certain matters that we reported to management of the Foundation in a separate letter dated December 18, 2013.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance with the results of that testing, and not to provide an opinion on the effectiveness of the Foundation's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Foundation's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Under Louisiana Revised Statute 24:513, this report is distributed by the Louisiana Legislative Auditor as a public document.



A Professional Accounting Corporation

Covington, LA
December 18, 2013



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**INDEPENDENT AUDITOR'S REPORT ON
COMPLIANCE FOR EACH MAJOR PROGRAM AND
REPORT ON INTERNAL CONTROL OVER COMPLIANCE
REQUIRED BY OMB CIRCULAR A-133**

To the Board of Directors
Choice Foundation, a Non-Profit Organization
New Orleans, Louisiana

Report on Compliance for Each Major Federal Program

We have audited Choice Foundation, a Non-Profit Organization's (the Foundation) compliance with the types of compliance requirements described in the Office of Management and Budget (OMB) Circular A-133 *Compliance Supplement* that could have a direct and material effect on each of the Foundation's major federal programs for the year ended June 30, 2013. The Foundation's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on the Foundation's compliance for each of the Foundation's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Foundation's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the Foundation's compliance.

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Opinion on Each Major Federal Program

In our opinion, the Foundation complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2013.

Report on Internal Control Over Compliance

Management of the Foundation is responsible for establishing and maintaining effective internal control over compliance with the types of compliance referred to above. In planning and performing our audit of compliance, we considered the Foundation's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Foundation's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charge with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

Under Louisiana Revised Statute 24:513, this report is distributed by the Louisiana Legislative Auditor as a public document.



A Professional Accounting Corporation

Covington, LA
December 18, 2013

CHOICE FOUNDATION, A NON-PROFIT ORGANIZATION
NEW ORLEANS, LOUISIANA
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2013

Federal Grantor/Pass-Through Grantor Program Title	Federal CFDA Number	Expenditures
United States Department of Agriculture Passed through the Louisiana Department of Education National School Lunch Program	10.555	\$ 906,926 *
United States Department of Education Passed through the Louisiana Department of Education Title I Cluster		
Title I Grants to Local Educational Agencies	84.010	1,246,756
Special Education - Grants to States (IDEA Part B)	84.027	692,445
Teacher Incentive Fund	84.374A	348,338 *
Investing in Innovation (i3) Fund	84.396B	287,110
Title II Improving Teacher Quality State Grants	84.367	257,528 *
Public Charter Schools Program	84.282	213,429 *
Race to the Top - District Grants	84.416	71,552
Title III Higher Education - Institutional Aid	84.031	54,750
Hurricane Educator Assistance Program	84.398K	33,293
Special Education - Preschool Grants (IDEA Preschool)	84.173	4,425
United States Department of Health and Human Services Passed through the Louisiana Department of Education Temporary Assistance for Needy Families (TANF)	93.558	173,084
United States Department of Housing and Urban Development Passed through the Louisiana Department of Education Community Development Block Grants/Entitlement Grants	14.218	161,496
Total		<u>\$ 4,451,132</u>

* Denotes Major Program

**CHOICE FOUNDATION, A NON-PROFIT ORGANIZATION
NEW ORLEANS, LOUISIANA
Notes to Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2013**

Note 1. General

The accompanying Schedule of Expenditures of Federal Awards presents the activity of the federal awards of Choice Foundation, a Non-Profit Organization (the Foundation). The Foundation's reporting entity is defined in Note 1 to the financial statements for the year ended June 30, 2013. All federal awards received from federal agencies are included on the schedule.

Note 2. Summary of Significant Accounting Policies

Basis of Presentation

The accompanying schedule of expenditures of federal awards includes the federal grant activity of the Foundation and is presented on the accrual basis of accounting. Grant revenues are recorded for financial reporting purposes when the Foundation has met the qualifications for the respective grants.

Accrued Reimbursement

Various reimbursement procedures are used for federal awards received by the Foundation. Consequently, timing differences between expenditures and program reimbursements may exist at the beginning and end of the year. Any accrued balances at year-end represent an excess of reimbursable expenditures over reimbursements received.

Federal Revenues not Considered Federal Awards

The Foundation recorded federal revenues and related expenses of \$42,167 that were not considered federal awards. As such, this amount was excluded from this schedule.

**CHOICE FOUNDATION, A NON-PROFIT ORGANIZATION
NEW ORLEANS, LOUISIANA
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2013**

Part I - Summary of Auditor's Results

Financial Statement Section

- | | |
|--|------------|
| 1. Type of auditor's report | Unmodified |
| 2. Compliance and internal control over financial reporting | |
| a. Material weaknesses identified | None |
| b. Significant deficiencies identified not considered
to be material weaknesses | None |
| c. Noncompliance noted | None |

Federal Awards Section

- | | |
|---|------------|
| 3. Type of auditor's report issued on compliance for major program | Unmodified |
| 4. Internal control over major programs | |
| a. Material weaknesses identified | None |
| b. Significant deficiencies identified not considered
to be material weaknesses | None |
| 5. Audit findings disclosed that are required in accordance with
OMB A-133, Section 510a | None |
| 6. Identification of major programs | |
| 10.555 - National School Lunch Program | |
| 84.282 - Public Charter School Program | |
| 84.367 - Title II Improving Teacher Quality State Grants | |
| 84.374 - Teacher Incentive Fund | |
| 7. Dollar threshold used to distinguish between Type A and B programs | \$300,000 |
| 8. Auditee qualified as a low-risk auditee under OMB A-133, Section 530 | Yes |

Part II - Financial Statement Findings Section

None

Part III - Federal Award Findings and Questioned Costs Section

None

**CHOICE FOUNDATION, A NON-PROFIT ORGANIZATION
NEW ORLEANS, LOUISIANA
Summary Schedule of Prior Year Audit Findings
For the Year Ended June 30, 2013**

Part I - Financial Statement Findings Section

None

Part II - Federal Award Findings and Questioned Costs Section

None



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December 18, 2013

To the Senior Management and Board of Directors
Choice Foundation, A Non-Profit Organization
1010 Common Street
New Orleans, LA 70112

Ladies and Gentlemen:

This letter includes comments and suggestions with respect to matters that came to our attention in connection with our audit of the financial statements of Choice Foundation, A Non-Profit Organization (the Foundation) for the year ended June 30, 2013. These items are offered as constructive suggestions to be considered part of the ongoing process of modifying and improving the Foundation's practices and procedures.

Supporting Documentation for Grant Awards

In testing a selection of grant awards, we noted that the grantor for certain awards required amended support be resubmitted due to errors. We also noted that several significant adjusting journal entries were required in order to correct certain grant revenue and expense balances.

While the Foundation does have policies and procedures in place to help mitigate inaccuracies in grant documentation and reporting, we recommend that the Foundation consider the suggestions below in preparing for a successful single audit:

1. Ensure the schedule of expenditures of federal awards (SEFA) is complete and accurate. The Foundation should ensure that the SEFA reconciles to the general ledger, specifies any pass-through awards, and includes the correct program or cluster name and CFDA or identifying number for each program.
2. Gather and summarize all grant documentation and information. As an alternative to obtaining documents as they're requested during the audit, try saving copies in a separate "auditor" folder as the year progresses. Preparing schedules typically requested by the auditor on a regular basis will help ensure that they are accurate throughout the year.
3. Document all policies and procedures over grant awards using the Committee of Sponsoring Organization (COSO) framework. A single audit includes documenting the Foundation's understanding of internal controls over grant programs using the COSO framework. The five sections of the COSO framework that should be documented for grant awards include control environment, risk assessment, control activities, information and communication, and monitoring.
4. Understand applicable compliance supplements and circulars, including but not limited to OMB Circular A-122 (*Cost Principles for Non-Profit Organizations*) and OMB Circular A-133 (*Audits of States, Local Governments and Non-Profit Organizations*), and how these compliance supplements relate to each grant award. Throughout the year the Foundation should review all applicable grant circulars, along with all grant agreements, to ensure the Foundation is in compliance.

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5. Ensure that all purchases and costs, including any salaries and related costs, are supported appropriately. This includes reconciliation of the costs to supporting documentation and the grant budget, ensuring that costs are allowable per the applicable circulars and compliance supplements, ensuring that costs appear appropriate and reflect actual effort, and continued utilization of project codes to ensure that costs have not been claimed under multiple grants. Ensure that requests for reimbursements are supported by accurate cost certifications, if applicable.
6. Ensure that procurement, suspension, and debarment procedures are performed, when applicable, based on a grant award's compliance supplement. The Foundation should maintain documentation to support the rationale for all methods of procurement and contractor/contract selections. The Foundation should ensure that no business is conducted with parties listed on the Excluded Parties List System (www.sam.gov).
7. Complete year-end journal entries prior to the start of the audit. This will aide in eliminating any inefficiencies that arise by the need to perform additional audit procedures on updated or incomplete schedules.

Management's Response:

Management will implement the following measures to ensure the appropriate documentation for grant awards is available for future audits:

- **Staff Training** - Staff will receive ongoing training from the Director of Finance & Operations and a Certified Public Accountant in the areas of:
 - Grants Management and Administration;
 - Schedule of Expenditures of Federal Awards (SEFA) Preparation;
 - Committee of Sponsoring Organization (COSO) Framework;
 - OMB Circular A-122 (Cost Principles of Non-Profit Organizations); and
 - OMB Circular A-133 (Audits of States, Local Governments, and Non-Profit Organizations).
- **Audit Preparation** - Staff will initiate Audit Preparation Procedures earlier than in previous years to ensure there is sufficient time to ensure the appropriate preparation of grant award documentation.

This letter is intended solely for the information and use of the Board of Directors, management and others within the Foundation and is not intended to be, and should not be, used by anyone other than these specified parties. We appreciate serving Choice Foundation and would be happy to assist you in addressing and implementing any of the suggestions in this letter.

Sincerely,



LAPORTE
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